Helping People Balance Work and Family: It's Within Montana's Reach

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Almost every employee experiences a temporary or extended illness, the birth of a child, or caregiving responsibilities for a sick family member, forcing the employee to take time off from work. However, the United States remains the only industrialized economy in the world that does not guarantee paid leave for new mothers or a paid sick leave standard, and one of a handful that does not guarantee leave for new fathers.[1] While the Family and Medical Leave Act (FMLA) of 1993 was a necessary first step in helping individuals balance work and family demands, the law only guarantees *unpaid* leave and covers only those employees working full-time and for large employers. This policy leaves many working Americans without coverage and puts those taking unpaid leave at financial risk. As a result, states have started to enact their own family and medical leave policies. Today, three states, California, New Jersey, and Rhode Island, provide businesses and employees access to paid family and medical leave programs. Additionally, in 2015, twenty-three states and the District of Columbia introduced one or more paid leave proposals during legislative sessions in 2015.[2]

In the last of our three-part report series on paid family and medical leave, we propose a family and medical leave policy for the state of Montana.[i] The Montana policy would be a statewide insurance program that ensures nearly every worker in the state can receive paid leave benefits when he or she needs time off for family or medical reasons. Additionally, the weekly benefit structure of the plan will ensure that the program is a viable option for Montana's lowest-earning workers. Finally, as a statewide insurance program, it will be an affordable solution for workers and employers.

Without a paid leave program, businesses and workers pay the price

Outside of the three states that have enacted paid family and medical leave programs, employers can voluntarily provide paid leave benefits. Across the country, employers or their employees can purchase disability insurance through private companies. In addition, employers may choose to provide their employees with sick, vacation, maternity, paternity, family, and/or medical leave. Another option lets employers and employees undergo collective bargaining to establish plans that guarantee workers paid leave for family and/or medical reasons. But because there is not a nationwide mandate for employers to provide these benefits, many working Americans have no access to paid family or medical leave. Instead, workers cobble together benefits, like sick and vacation leave and disability insurance to make ends meet when they need to take time off.

Only 13 percent of American workers have access to paid family leave and less than 40 percent of employees have access to short-term medical leave through their employers, forcing many workers to take time off without pay and some to leave the workforce altogether.[3] Unfortunately,

[i] This is the final in a series of three reports on paid family and medical leave conducted by the Montana Budget and Policy Center in collaboration and consultation with the Montana Department of Labor and Industry and funded by a grant from the U.S. Department of Labor Women's Bureau.

low-wage workers are disproportionately affected by the lack of paid leave polices in the country. In 2014, 76 percent of low-wage workers in the private sector did not have access to any type of paid sick or paid family leave.[4] The lack of paid leave limits workers' ability to take time off to care for themselves or their family members. Further, if low-income individuals do choose to take unpaid leave, they risk falling deeper into poverty and may face repercussions when they return to work.

Both employers and their workers pay the price when paid leave benefits are not available. Workers lose wages during unpaid leave, which impacts consumer spending and the economy. For example, in 2014, an estimated 13,000 Montana workers became parents. These parents, who would benefit from a state program, faced potential lost wages equaling about $45 million because of unpaid parental leave.[5] When these parents and their families lose out on weekly earnings during leave, they contribute less to local businesses, which impacts the state economy because they simply do not have the cash to purchase the same level of household necessities they could when they were working or if they received wage replacement during leave.

In 2014, 13,000 Montana parents - that could potentially benefit from paid leave - faced up to $45 million in lost wages due to unpaid leave.

A statewide paid leave program also helps employers, particularly small businesses. A program would help businesses attract and retain skilled workers. Employers would be able to use the benefits offered through the program to either substitute their employer-paid benefits or supplement them. Small businesses are better able to compete with larger businesses that may have offered comprehensive benefits packages to their workers prior to the implementation of a statewide insurance program. And in states that have implemented paid family and medical leave programs, businesses have noted better worker attitudes and increased profitability and studies have shown that workers use paid leave responsibly. [6, 7]

Making paid leave work for employers, workers, and their families

A statewide paid leave program would create a statewide insurance pool that would be used to partially cover the wages of Montana workers who take time off for the following reasons: (1) the birth, adoption, or foster placement of a child; (2) the care of a family member experiencing a serious health condition[8]; and (3) an inability to work because of their own serious injury or illness.[9] **In 2017, we estimate that workers across Montana would receive $72 million worth of medical and family leave benefits**.[10] To finance the program, employees would provide contributions totaling less than half of one percent (0.451 percent) of their total wages in 2017.[11]

To provide the greatest economic benefit to the state, our estimates are based on a program where the vast majority of working families will be eligible. To qualify for the program, **employees would be required to have worked at least 680 hours in the previous 12 months before filing for medical or family leave.** This eligibility feature is modeled after the state of Washington's law and ensures that even those who work less than part-time (20 hours per week

or less) or change jobs throughout the year will still be covered by the program.[12] **We estimate that in 2017, the program would cover 95 percent of Montana's employed population (about 442,000 workers).**[13] Based on usage rates in states with paid leave programs like California and New Jersey, and factoring in demographics in the state of Montana, we project that 12,300 individuals would access the program to recover from their own serious health conditions, including non-work related injuries, and an additional 3,200 people would access the program to bond with a new child or care for an ill family member during the program's first year.[14] Eligible workers will be able to receive up to 12 weeks of paid family or medical leave benefits, but we expect that most individuals will not need the full 12-week duration. **Consistent with average take-up rates in other states, we estimate that employees using the program for family leave would take ten weeks off from work, and those using the program for medical leave would take less than eight weeks off.** [15]

An affordable paid leave program is a viable option for low-wage workers.

Leave Duration: Workers receive up to 12 weeks of paid leave.

Eligibility: Individuals must work at least 680 hours in the past 12 months before applying.

Financing: Workers pay less than half of one percent of their annual earnings into the program.

Taxable Wage Base: Workers pay less than one-half of one percent of their annual earnings up to the first $78,000. Workers' earnings are not subject to further taxation above this threshold. As a result, workers receive no more than a $1,000 weekly benefit.

Wage Replacement: Workers receive a portion of their weekly earnings during leave, based on income level. Lowest-wage earners receive 95 percent of their weekly wages. Wage replacement scales down as income increases.

Finally, the state program would have a unique benefit structure that ensures that the program is a viable option for Montana workers. To date, California, New Jersey, and Rhode Island have enacted paid leave programs that replace between 50 percent and 66 percent of a worker's weekly wage during leave.[16] However, low-wage workers typically need more than two-thirds of their weekly earnings to make ends meet during leave. Research on the use of paid leave benefits in California and New Jersey suggests that women, low-wage workers, and minority populations are less likely than other workers to know that paid leave benefits exist and are available to them. For example, knowledge of California's paid family and medical leave program has actually declined over time. In 2014, only 36 percent of registered voters in California were aware of the program.[17] Unfortunately, women, low-wage workers, and minority populations – a group that needs paid leave benefits to make ends meet during leave more than higher-income workers - were the least likely to be aware of program. By providing graduated weekly benefits based on earnings, we can help ensure that low-wage workers are able to make ends meet during leave and also increase the likelihood that these individuals will use the program when circumstances warrant the need for paid leave.

The weekly wage replacement rates, based on income categories, and the number of Montana employees expected to be eligible for benefits are outlined below in Table 1. In Montana, wage replacement rates would be based on income, depending on where a worker's annual earnings fell relative to the annual mean wage (the average wage earned by all employees in the state in a given year). Individuals earning less than 30 percent of the annual mean wage (AMW) would be eligible to receive 95 percent of their weekly wage during leave. In 2017, 30 percent of the annual mean wage is estimated to be $12,884.[18] For an individual earning $12,500 (less than 30 percent of the AMW), he or she would receive a weekly benefit of about $230 to pay for expenses like groceries, rent, and utilities.[19] Under California's program, this individual would only receive 66 percent of their weekly wage ($160 per week).[20] As shown in Table 1, wage replacement rates would scale down as income levels rise, with higher income workers accessing 66 percent of their weekly earnings if they took paid family or medical leave. **Estimates suggest that in 2017, a worker taking paid family or medical leave would receive an average weekly benefit of about $553**.[21]

Table 1 – Graduated weekly benefits will help all workers remain financially stable during periods of leave

Income Category	Annual Wages	Weekly Wage Replacement Rate	Eligible Workers
Workers' income...			
at or below 30% AMW	at or below $12,884	95%	63,804
between 30% and 50% AMW	$12,885 - $21,473	90%	66,102
between 50% and 80% AMW	$21,474 - $34,357	85%	103,976
at or above 80% AMW	at or above $34,358	66%	207,926

Program Benefits: Montanans Can Afford Paid Family and Medical Leave

Enacting a Montana program is affordable for employees in the state. Like family leave programs in California, New Jersey, and Rhode Island, Montana workers would contribute employee payroll taxes (a small portion of each paycheck) into a state insurance fund, used to provide medical and family leave benefit payouts. In 2017, employee contributions would provide a total of $72 million worth of benefits to workers across the state who otherwise may not receive employer-paid benefits or be able to afford private insurance to cover leave for family and medical reasons.[22] The contributions into the program would equate to less than half of one percent (0.451) of employees' total wages.[23] For example, a worker earning $40,000 a year would contribute $15.03 dollars a month in 2017 into the insurance pool ($3.47 per week).[24] And because the program would be funded entirely through employee-paid premiums (not by employer contributions or the state general fund), employers would have no direct costs. With employee contributions set at less than half of one percent of total wages, premiums would generate $76.8 million to cover benefit payouts and administrative costs (Table 2).[25]

In order to fund a statewide program, a taxable wage base would be set at $78,000, limiting the amount that employees would contribute into the program and the maximum weekly benefits

available during leave. This means that workers will only pay premiums up to the first $78,000 of their annual earnings and the contributions would not increase further if their earnings surpass this threshold. An individual earning $78,000 or more annually would never contribute more than $6.77 a week into the insurance pool.[26] And, because of the taxable wage base, workers' weekly benefits would be capped at a maximum of $1,000, regardless of their income.[27]

Programs like Social Security set taxable wage bases to ensure those who need benefits the most have access when they participate in the program. Without a taxable wage base, high-wage individuals would contribute premiums based on their entire earned income and could potentially claim large benefit amounts during leave, leaving less for low-and-moderate income individuals to live on once they participate in the program.

Table 2: Workers contribute less than half of one percent of their yearly earnings into the program

Taxable Wage Base	$78,000
Premium on Wages	0.451
Weekly Premium by Income	
20K	$1.73
30K	$2.60
40K	$3.47
50K	$4.34
60K	$5.20
Max. Contribution (78K +)	$6.77
Total Revenue Generated	**$76.8 (mill.)**

Conclusion

Based on estimates from our model, enacting a statewide paid family and medical leave program is a viable and affordable option for workers in the state. When workers have access to paid leave, they have the opportunity to balance work and home responsibilities. Today, for many families, it's an economic imperative that both parents work. These parents should not be forced to choose between work and family. Whether they need to take time off around the birth of a child, to care for an ailing parent, or recover from their own serious injury or illness, these individuals must be able to continue paying the bills and putting food on the table during leave. Access to a paid family and medical leave program would ensure that employees, even those working less than part-time, have changed jobs throughout the year, or are earning low-wages have the opportunity to take paid leave and can financially sustain their households during these periods.

Because the program would be established as a statewide insurance program funded through employee-paid premiums, businesses will not incur any direct cost to implementing and running the program. Also, with a statewide paid family and medical leave program, businesses that currently provide benefits like family, medical, and disability benefits for their workers may supplement these employer-paid benefits with the new program, which could reduce business expenses. Or for employers, especially small businesses, that do not have comprehensive employee-benefit packages and struggled to compete with large businesses that do, a statewide paid leave program will enable these businesses to provide benefits and compete with larger employers in the state, all at no direct cost.

Once enacted, employers across the state will be in a better position to recruit and retain workers. As Montana's workforce continues to age and more and more baby boomers leave their jobs to retire, not enough young and skilled individuals will enter the job market and fill these vacancies, slowing job growth over the next ten years.[28] Now is the time to ensure that businesses have the policies in place that will make them competitive in a modern economy and able to attract and retain skilled workers so that our state remains strong, despite this shortage.

Methodology: Estimating Program Eligibility, Utilization, and Aggregate Costs

The final section of this report details how program costs were calculated. In collaboration and consultation with the Colorado Fiscal Institute, the Montana Budget and Policy Center used a model to estimates the total program cost of the program, assuming 2017 would be the first year of implementation. The model estimates total program costs, which are determined by the following parameters:

1. The maximum duration of leave provided to workers.
2. The wage replacement rate based on income.
3. The taxable wage base and maximum weekly benefit.
4. The set eligibility requirement.

Montana's Labor Force and Earnings

The model was built using data from the 2013 Public Use Micro Data Sample (PUMS) of the American Community Survey (ACS) for Montana.[29] Four main variables were derived from the 2013 PUMS dataset and used for model estimates:

1. Annual wages in the past 12 months,
2. Average hours worked per week in the past 12 months,
3. Number of weeks worked in the past 12 months, and
4. Sample weights for respondents with positive wages or who worked at least 680 hours.

These four variables were used to determine how many workers in Montana the program would cover, the average weekly benefit workers would receive during leave, and weekly wage replacement rates based on income categories.

These variables were used to generate the hourly wage, weekly wage, and hours worked per year for each survey respondent in the PUMS data set in order to determine total program coverage. Individuals with an annual wage of less than $1 were removed from the sample as well as those who worked less than 680 hours in the past year. However, workers who were currently unemployed but reported working at least 680 in the previous year were included to account for the total potential eligible population. After cleaning, the total sample size in the dataset was 4,862 survey respondents.

Since the PUMS dataset was from 2013 (the most recent ACS PUMS dataset available), we had to adjust wage and employment statistics for each survey respondent to reflect what the expected

wages and employment numbers will be in the first year of the program. The average median hourly wage of Montana workers between 2011 and 2014 was used to estimate wage growth between 2013 and 2017.[30] Additionally, recent projections from Montana's Department of Labor and Industry estimate employment growth of 1.6 percent in both 2015 and 2016 and slowing growth of 1.1 percent between 2017 and 2024.[31] These projections were used to estimate the population of total Montanans employed in 2017.

After calculating the eligible population, the annual earnings of each survey respondent were used to determine wage replacement rates. Wage replacement rates were based on the annual mean wage (AMW), a state-specific measure collected by the Montana Department of Labor and Industry and reflecting individual wages in Montana. Determining weekly wage replacement rates based on the AMW automatically adjusts for inflation and will ensure that benefits remain commensurate with workers' earnings over time.

Program Utilization

To estimate how many individuals in Montana's eligible population would actually use medical and family leave benefits in 2017, we examined the take-up rates of temporary disability insurance (medical leave) and family leave insurance programs in California and New Jersey. The proposed program would cover the same qualifying events (leave to care for a family member or to recover from a serious illness etc.) that are covered under both California and New Jersey's TDI and paid family leave programs.[32] Therefore, take-up rates in these states give a reasonable estimate for how many individuals would use the program in its first year. It should be noted that after reviewing the family and medical leave take-up rates in California and New Jersey, we examined several demographic differences between these states and Montana and adjusted take-up rates to account for these differences.[33]

To estimate the take-up rate of those using the program for family leave, we averaged the first year take-up rates of paid family leave programs in California and New Jersey.[34] The average between California and New Jersey suggests that less than one percent (0.79 percent) of the eligible population used family leave in those states in the first year.

We then examined demographic differences to determine whether or not this 0.79 percent take-up rate was accurate for Montana. We found that in 2013, there were a greater proportion of women in the workforce who reported giving birth in the past 12 months in California and New Jersey than in Montana.[35] Since there are a greater number of those women in California and New Jersey, the take-up rate of family leave in those states may be slightly higher than what it would be in Montana. Therefore, based on Montana-specific adjustments, we expect that actually about 0.73 percent of eligible individuals will use family leave in the programs first year, 2017.

To estimate the take-up rate of those using the program for medical leave, we averaged the take-up rates of TDI programs in California and New Jersey during the years in which paid family leave was implemented. The average between California and New Jersey suggests that 3.28 percent of eligible Montana workers would take medical leave in 2017.[36]

After examining demographic differences between California, New Jersey, and Montana we found that there is a higher proportion of older workers and workers with disabilities in Montana than in California or New Jersey.[37] We assume that a proportionally older working population and labor force with individuals reporting disability may increase medical leave take-up rates in Montana. Therefore, based on Montana-specific adjustments, we expect that actually about 3.60 percent of eligible Montana workers would take medical leave in 2017.[38] Also, since California and New Jersey have had TDI programs in place since the 1940's we assume that it would take five years for Montana to experience the same take-up rates that California and New Jersey experienced the year they implemented paid family leave on top of their TDI programs. Thus, we estimate that about 2.80 percent of Montana's eligible population would use the program for medical leave in the first year. [39]

Finally, we assume that the number of individuals using the program for medical and family leave insurance will increase over time as awareness of the program increases. And, because benefits are graduated for low-income workers (a feature that neither California nor New Jersey have), this may also increase awareness and participation. To estimate the growth in take-up rates for both medical and family leave, we use the average growth of take-up around family leave in California. Since California implemented its family leave insurance program on top of TDI in 2004, take-up of family leave claims have increased an average of 6.12 percent each year.[40] Since there are only two full years of data in New Jersey (which provides only one year of growth), we use California's take-up rate only. This growth rate is also applied to medical leave take-up rates in Montana. While participation in TDI programs actually began to slightly decrease after California and New Jersey implemented their family leave programs, we expect that as a new state program, both family and medical leave take-up rates will increase over time.

Duration of Leave

The Montana program provides a maximum of 12 weeks worth of medical or family leave benefits for eligible employees. However, it is unlikely that most workers will take paid leave for the maximum duration. Further, despite concerns that offering wage replacement may extend the length of leave an individual takes, research and observed behavior around types of FMLA leave suggest that lengths of leave are related to the severity of a health condition, rather than whether it is paid or not.[41]

To estimate the average length of family leave in Montana we again referred to paid family leave program statistics in California and New Jersey and looked at the ratio of durations of leave compared to the total number of weeks offered (both states provide a total of 6 weeks worth of paid family leave).[42] On average, workers in California took 5.37 weeks of family leave and workers in New Jersey took 5.1 weeks.[43] We then estimated the duration that Montana workers would use the program for family leave based on this average ratio.[44] We assume that on average, Montana workers taking family leave will use the program for 10.5 weeks out of a total of 12 maximum weeks.

To estimate the average duration that individuals in Montana would take for medical leave, we examined the duration of leave of those who took medical leave under the FMLA, which provides a maximum of 12 weeks of unpaid leave.[45] The majority of those who took FMLA for medical purposes did so for 7.8 weeks. Therefore, based on this same ratio, we assume that on average, individuals in Montana would use the program for medical leave for just under 8 weeks.

Average Weekly Benefits

In 2017, the average weekly wage benefit is estimated to be $553. However, since the weekly benefit is based on income, some individuals would receive more or less than $553 per week. The average benefit was determined by aggregating the number of total eligible Montanans in the state that would qualify for the program. Then we determined what the weekly benefit of each of these individuals would be based on their weekly earnings. Finally, we aggregating these total weekly earnings and took the average. This average amount is consistent with what California and New Jersey have experienced in their state programs.[46]

Aggregate Cost Estimates

Two costs were calculated and aggregated to determine the total cost of the Montana program; [1] benefit payouts, and [2] administrative expenditures.

Benefit Payouts

Benefit payouts include both medical and family leave benefits and are based on the total eligible population in Montana, multiplied by the take-up rates associated with medical and family leave, multiplied by the average weekly benefit, and multiplied by the average leave of length associated with medical and family reasons.

- In 2017, a total of $53.3 million in benefits would be provided to workers who needed time off to recover from a serious illness or unrelated work injury.[47]
- $18.7 million in benefits would be provided to individuals who need time off to bond with a new child or care for a seriously ill family member.[48]
- In total, $72 million in benefits would be provided through the program.[49]

Administrative Costs

Estimating administrative costs for a paid family and medical leave program in Montana is difficult, because unlike California, New Jersey, and Rhode Island, Montana does not already have a temporary disability insurance program to build on top of. Since these three states already had this infrastructure, there were already technological, human capital, and tax collection systems in place that could be used to carry out the new family leave programs, which made implementation more efficient. When considering a new paid family and medical leave program in Montana we must consider the start-up costs needed to get the program up and operating, as well as ongoing administrative costs to run the program year to year.

Since the proposed program would likely be administered through the Montana Department of Labor and Industry (DLI), similar to unemployment insurance, we looked at the Unemployment Insurance Division under DLI to calculate the number of people needed to process claims and administer the new program.

In 2014, 149 full-time employees processed 80,000 unemployment insurance claims.[50] This means that on average, DLI completed about 2 claims per day per division employee.[51] Based on this, we estimate that in order to process almost 15,500 family and medical leave claims in 2017, DLI would need to hire 29 full time employees at a cost of $1.7 million.[52]

In 2007, Washington enacted a paid family leave program, and advocates and legislators in the state are now in the process of working to expand this law to include medical leave insurance.[53] Washington is the first non-TDI state in the country to enact paid family leave, and we assumed the fiscal note attached to this proposed expansion legislation would yield some insight into what start-up costs might look like in Montana.[54]

Review of Washington's fiscal note suggests that over the first three years there would be initial expenditures associated with training, maintenance, rulemaking, staff assistance, unemployment insurance consultants and other administrative needs. Based on these items and how many individuals would need to be hired for things like IT equipment, consultations, and legal aid, we assume that 6.67 percent of the total program expenditures would cover initial start-up costs, personnel costs, and other administrative needs over three years.[55]

Ongoing administrative costs were calculated based on fiscal notes attached to Colorado's proposed paid family and medical leave program and Washington State's expanded paid leave program.[56] Both fiscal notes estimate start-up costs during the initial years of program implementation after which point, ongoing administrative costs will decrease. Based on these estimates, we assume that after three years, the total administrative expenditures will decrease to about 4 percent and ongoing operations will remain at this rate from year to year.

Estimating Revenue Needed to Fund Montana Family Leave Insurance

Once the total program cost was calculated, we used the model to then determine how much revenue would need to be generated to cover the cost of the program. The model estimated total revenue using the total number of employees paying into the insurance fund, the employee payroll tax set on their wages, and the taxable wage base. With a taxable wage base of $78,000, and a wage premium set at less than a half of one percent (0.451) on employees' wages, the Montana Department of Labor and Industry would collect $76.8 million in revenue in 2017.[57]

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[1] Parental leave In OECD countries. The Organization for Economic Co-operation and Development (OECD) website. *OECD Family Database*. Social Policy Division 2014. Accessed October 2015. http://www.oecd.org/els/soc/PF2_1_Parental_leave_systems.pdf. Sick leave policies found on World Policy Analysis Center website. Selected Data and Adult labor and working conditions. *For how long are workers guaranteed paid sick leave?* Accessed 2015. http://worldpolicycenter.org/policies/for-how-long-are-workers-guaranteed-paid-sick-leave

[2] Legislation introduced between May 2014 and May 2015 includes paid sick days and paid family leave. A Better Balance website accessed September 2015. http://www.abetterbalance.org/web/news/344-our-legislative-efforts-
[3] Perez and Groshen. *National Compensation Survey: Employee Benefits in the United States. March 2014.* U.S. Department of Labor and U.S. Bureau of Labor Statistics. September 2014. (Tables 16 and 32) http://www.bls.gov/ncs/ebs/benefits/2014/ebbl0055.pdf
[4] Low-wage workers are defined as those earning the lowest 10 percent of wages. *Perez and Groshen. National Compensation Survey: Employee Benefits in the United States. March 2014.* U.S. Department of Labor and U.S. Bureau of Labor Statistics. September 2014. (Table 46. Paid leave combinations: Access, private industry workers). http://www.bls.gov/ncs/ebs/benefits/2014/ebbl0055.pdf
[5] Equal Pay for Equal Work Task Force. *Equal Pay in Montana Fact Sheet*. Accessed October 2015. http://www.equalpay.mt.gov/documents/EqualPayinMontanaFactSheet.pdf
[6] Appelbaum & Milkman. *Leaves That Pay: Employer and Work Experiences with Paid Family Leave in California.* Center for Economic and Policy Research. 2011, Appelbaum and Lerner. http://www.cepr.net/documents/publications/paid-family-leave-1-2011.pdf
[7] Appelbaum, Eileen and Lerner, Sharon. *Business As Usual: New Jersey Employers' Experiences with Family Leave Insurance.* Center for Economic and Policy Research. June 2014. http://www.demos.org/sites/default/files/publications/nj-fli-2014-06.pdf
[8] U.S Department of Labor Website. Wage and Hour Division. *The Family and Medical Leave Act.* Accessed October 2015. http://www.dol.gov/whd/regs/compliance/1421.htm "Serious health condition" is based on the definition under the FMLA and means an illness, injury, impairment, or physical or mental condition that involves:
(A) any period of incapacity or treatment connected with inpatient care in a hospital, hospice, or residential medical care facility or
(B) a period of incapacity requiring absence of more than 3 calendar days from work, school or other regular daily activities that also involves continuing treatment by a health care provider or
(C) any period of incapacity due to pregnancy or prenatal care or
[D] any period of incapacity due to a chronic serious health condition (asthma, diabetes etc.) or
[E} a period of incapacity that is permanent or long-term due to a condition for which treatment may not be effective or any absences to receive multiple treatments by, or a referral by, a health care provider for a treatment that would result in incapacity of more than 3 consecutive days if left untreated.
[9] Qualifying events under our proposal are modeled after those listed under the FMLA. California and New Jersey's paid family and medical leave programs also have qualifying events that closely reflect the FMLA. However, *family* under FMLA is defined as a child, parent, or spouse. California and New Jersey have expanded their programs so that *family* is more broadly defined to include domestic partners, siblings, grand parents etc. We recommend an enacted paid family and medical leave program in Montana also define family in this broad manner. The U.S Department of Labor Website. Wage and Hour Division. *The Family and Medical Leave Act*. Accessed October 2015. http://www.dol.gov/whd/regs/compliance/1421.htm
[10] Calculation based on model and on file with author. In 2017, a total of $18.7 million in family leave benefits would be paid and a total of $53.3 million in medical leave benefits would be paid out.
[11] Calculation based on model and on file with author. In 2017, employees will contribute a total of 0.451 of their total annual earnings up to the 78,000 taxable wage base into the program's insurance pool.
[12] Washington State Legislature Website. *Revised Code of Washington. Chapter 49.86.030. Eligibility for benefits*. Accessed October 2015. http://apps.leg.wa.gov/RCW/default.aspx?cite=49.86.030.
[13] Calculation based on model and on file with author. Total employed population in Montana in 2017 is estimated to be 462,664. Based on ACS survey respondents who have earnings more than $1 and who worked at least 680 in the past month (or were unemployed but still worked 680 in the past month), 441,809 employees would be covered by the program in 2017. Lawmakers will need to determine elective coverage for those who are self-employed. For example, in California, self-employed individuals are not required to pay into the insurance pool used to provide paid family and medical leave benefits. However, if a self-employed worker wants access to these benefits, they can enroll through an optional Disability Insurance Elective Coverage program. State of California Employment Development Department Website. *Self-Employed Eligibility*. Accessed October 2015. http://www.edd.ca.gov/disability/self-employed.htm
[14] Calculation based on model and on file with author. Also see estimates for program utilization under methodology. Total eligible in Montana in 2017 is 441,809. Family leave take-up rate in 2017 is 0.73 (0.73 * 441,809 = 3,225 family leave claims). Medical leave take-up rate in 2017 is 2.80. (2.80 * 441,809 = 12,355 medical leave claims).
[15] Calculation based on model and on file with author. See estimates for duration of leave under methodology.
[16] National Partnership for Women and Families. *State Paid Family Leave Insurance Laws*. February 2015. http://www.nationalpartnership.org/research-library/work-family/paid-leave/state-paid-family-leave-laws.pdf
[17] DiCamillo, Mark and Field, Mervin. *The Field Poll. California Center for Research on Women & Families*. Field Research Corporation. January 2015. http://www.field.com/fieldpollonline/subscribers/Rls2494.pdf
[18] The annual mean wage comes from the Occupational Employment Statistics from the Bureau of Labor Statistics. In 2014, the annual mean wage in Montana was $39,880. Using wage growth of 2.5% (which is based on average growth of annual mean wage between 2011 and 2014) we estimate that the annual mean wage in 2017 will be $42,946. 30% of the annual mean wage in 2017 is

$12,884. The Bureau of Labor Statistics. May 2014 State Occupational Employment and Wages Estimates Montana. Accessed October 2015. http://www.bls.gov/oes/current/oes_mt.htm

[19] Author's calculation. $12,500/52 total work weeks = $240.4 total weekly earnings. $240.4 * 12 weeks of leave = $2,885 total benefits. 240.4 * 95% weekly wage replacement = $228 weekly benefit.

[20] Author's calculation. $12,500/52 total work weeks = $240.4 total weekly earnings. $240.4 * 66% wage replacement = $158 weekly wage.

[21] Calculation based on model and on file with author. See estimates under average weekly benefits in methodology. This is an average benefit calculated across all income categories, including low, moderate, and high-income earners.

[22] Calculation based on model and on file with author. This is total medical and family leave benefits paid out in 2017 and does not include administrative costs, which include expenditures for salaries, operating costs, start-up, and ongoing costs.

[23] Calculation based on model and on file with author. In 2017, employees will contribute a total of 0.451 of their total annual earnings up to the 78,000 taxable wage base into the program's insurance pool.

[24] A worker earning $40,000 a year would contribute a total annual premium of $180.4 ($15.03 dollars a month; $3.47 per week) into the insurance pool. This assumes 40-hour work week and a total of 52 weeks of work per year.

[25] Calculation based on model and on file with author. In 2017, total program cost (administration costs and benefit payouts) would be $76.7 million. With a wage premium set at 0.451 on all employees' wages and a taxable wage base set at $78,000, the Montana Department of Labor and Industry would generate $76.8 million in revenue.

[26] Since the taxable wage base is set at $78,000, workers with earnings at or more than $78,000 are subject to the wage premium of on their earnings up until this threshold. (0.00451 x 78,000 = annual premium of $352 or $6.77/week).

[27] $1,000 maximum weekly benefit is associated with the $78,000 taxable wage base. A worker earning $78,000 receives a weekly wage of $1,500. Since this individual earns more than 80% of the annual mean wage, they would receive 66 percent weekly wage replacement, a maximum of $1,000 in benefits.

[28] Wagner, Barbara et al. *State of Montana Labor Day Report to the Governor, 2015*. The Montana Department of Labor and Industry. August, 2015. http://lmi.mt.gov/media/98012/ldr-15.pdf

[29] The model was built by Colorado Fiscal Institute. MBPC adjusted the model to reflect the program's first year in 2017 and adjusted family leave and medical leave take-up rates to account for Montana-specific demographics.

[30] The median hourly wage is used instead of the annual mean wage because it is assumed that it better captures wage growth among the population most likely to use paid family leave. Mean annual wage may capture wage growth among those at the top of the income distribution and could overestimate the growth in wages of regular workers. The Bureau of Labor Statistics. May 2011 – 2014. *State Occupational Employment and Wages Estimates Montana*. Accessed October 2015. http://www.bls.gov/oes/current/oes_mt.htm

[31] Wagner, Barbara et al. *State of Montana Labor Day Report to the Governor, 2015*. The Montana Department of Labor and Industry. August, 2015. http://lmi.mt.gov/media/98012/ldr-15.pdf

[32] State of California Employment Development Department Website. *Eligibility*. Accessed October 2015. http://www.edd.ca.gov/Disability/Employer_Eligibility.htm. State of New Jersey Department of Labor and Workforce Development Website. *Eligibility Requirements*. Accessed October 2015. http://lwd.dol.state.nj.us/labor/fli/worker/state/State_landing_page.html

[33] To compare demographics between Montana, California, and New Jersey, we used the American Community Survey 2013 (3-year estimates) Public Use Micro Data Sample for Montana, California, and New Jersey. We analyzed the proportion of those employed who had given birth in the last 12 months, the proportion of older workers (55 years or older), and the proportion of those working and reporting a disability. The American Community Survey Public Use Microdata Sample. 2013. 3-year estimates. Accessed October 2015.

[34] Family leave take-up rates from California and New Jersey program statistics. State of California Employment Development Department Website. *Quick Statistics.* Accessed October 2014. http://www.edd.ca.gov/about_edd/quick_statistics.htm. State of New Jersey Department of Labor and Workforce Development Website. *Family Leave Insurance and Temporary Disability Leave Insurance Programs*. Annual Report 2010. Division of Analysis and Evaluation. December 2011. http://lwd.dol.state.nj.us/labor/forms_pdfs/tdi/ANNUAL_FLI-TDI_REPORT_FOR_2010.pdf. Employment population in Montana from U.S. Census Bureau. American Community Survey, 3-year estimates (2004 in California and 2009 in New Jersey). Selected Employment Status.

[35] Calculation based on model and on file with author. Analyzed the proportion of total employed populations in California, New Jersey, and Montana and the proportion of employed who reported giving birth in the past 12 months. The American Community Survey Public Use Microdata Sample. 2013. 3-year estimates. Accessed October 2015.

[36] Medical leave take-up rates from California and New Jersey program statistics. State of California Employment Development Department Website. *Quick Statistics*. Accessed October 2014. http://www.edd.ca.gov/about_edd/quick_statistics.htm. State of New Jersey Department of Labor and Workforce Development Website. *Family Leave Insurance and Temporary Disability Leave Insurance Programs. Annual Report 2010.* Division of Analysis and Evaluation. December 2011. http://lwd.dol.state.nj.us/labor/forms_pdfs/tdi/ANNUAL_FLI-TDI_REPORT_FOR_2010.pdf.

[37] Calculation based on model and on file with author. Analyzed the proportion of total employed populations in California, New Jersey, and Montana and the proportion of employed who were 55 years or older or had a disability. The American Community Survey Public Use Microdata Sample. 2013. 3-year estimates. Accessed October 2015.
[38] Medical leave take-up rates from California and New Jersey program statistics. State of California Employment Development Department Website. *Quick Statistics*. Accessed October 2014. http://www.edd.ca.gov/about_edd/quick_statistics.htm. State of New Jersey Department of Labor and Workforce Development Website. *Family Leave Insurance and Temporary Disability Leave Insurance Programs*. Annual Report 2010. Division of Analysis and Evaluation. December 2011. http://lwd.dol.state.nj.us/labor/forms_pdfs/tdi/ANNUAL_FLI-TDI_REPORT_FOR_2010.pdf. Employment population in Montana from U.S. Census Bureau. American Community Survey, 3-year estimates (2006 in California and 2009 in New Jersey). Selected Employment Status.
[39] Calculation based on model and on file with author. 3.60% medical leave take-up rate is deflated by 6.12% over 4 years to find the first year take-up rate of 2.80%
[40] Calculation based on model and on file with author. State of California Employment Development Department Website. *Quick Statistics.* Accessed October 2014. http://www.edd.ca.gov/about_edd/quick_statistics.htm. Internal source on file with author used to determine first-year utilization in 2004, since this data is not available through program statistics.
[41] Albelda, Randy and Mathews-Clayton, Alan. *Sharing the costs, Reaping the Benefits: Paid Family and Medical Leave in Massachusetts*. Labor Resource Center Publications. 2006. http://scholarworks.umb.edu/cgi/viewcontent.cgi?article=1000&context=lrc_pubs. Albelda, Randy and Mathews-Clayton, Alan. *Paid Family and Medical Leave Simulation Model*. The Institute for Women's Policy Research and Labor Resource Center. 2010. http://www.iwpr.org/publications/pubs/the-institute-for-women2019s-policy-research-and-labor-resource-center-paid-family-and-medical-leave-simulation-model/
[42] Average duration of family leave in California and New Jersey is 4.93 weeks out of total of 6. Ratio of duration to total maximum offered is 0.8725. If Montana provides total of 12 weeks, most will use it for 10.47 weeks (0.8725 * 12 weeks). Average duration of medical leave based on how many weeks people take medical leave under FMLA, which is 7.80 weeks.
[43] The average duration of leave in New Jersey also accounts for those individuals who also used TDI around the birth of a child. State of California Employment Development Department Website. *Quick Statistics*. Accessed October 2014. http://www.edd.ca.gov/about_edd/quick_statistics.htm. State of New Jersey Department of Labor and Workforce Development Website. *Family Leave Insurance and Temporary Disability Leave Insurance Programs*. Annual Report 2010. Division of Analysis and Evaluation. December 2011. http://lwd.dol.state.nj.us/labor/forms_pdfs/tdi/ANNUAL_FLI-TDI_REPORT_FOR_2010.pdf
[44] Family leave average duration. 5.37 weeks in California + 5.1 weeks in New Jersey/2 = 5.24 weeks. 5.24/6 total weeks = ratio of 0.8725; 0.8725 * 12 total weeks offered in Montana = 10.47 weeks.
[45] Medical leave average duration based on FMLA utilization. Klerman et al. *Family and Medical Leave in 2012: Technical Report.* Prepared for U.S. Department of Labor by Abt Associates, Inc. September 2012. http://www.dol.gov/asp/evaluation/fmla/FMLA-2012-Technical-Report.pdf
[46] State of California Employment Development Department Website. *Quick Statistics*. Accessed October 2014. http://www.edd.ca.gov/about_edd/quick_statistics.htm. State of New Jersey Department of Labor and Workforce Development Website. *Family Leave Insurance and Temporary Disability Leave Insurance Programs*. Annual Report 2010. Division of Analysis and Evaluation. December 2011. http://lwd.dol.state.nj.us/labor/forms_pdfs/tdi/ANNUAL_FLI-TDI_REPORT_FOR_2010.pdf
[47] Calculation based on model and on file with author. 441,809 total eligible * .0280 = 12,335 total people taking medical leave in 2017; 12,335 * 7.80 average leave duration * $553 average weekly benefit = $53.3 million in total medical leave benefit payouts.
[48] Calculation based on model and on file with author. 441,809 total eligible * 0.0073 = 3,225 total people taking family leave in 2017. 3,225 * 10.47 average leave duration * $553 average weekly benefit = $18.7 million in total family leave benefit payouts
[49] Aggregate benefit payouts. $53.3 million medical benefits + $18.7 million family benefits = $72 million in total benefit payouts.
[50] Montana Legislative Fiscal Division Website. *2017 Biennium Budget Report*. Selected General Government. Selected Department of Labor and Industry. Selected Unemployment Insurance Division. Accessed October 2015. http://leg.mt.gov/fbp-2017.asp
[51] In 2014, a total of 80,093 unemployment insurance claims were filed. In 2014, 149 FTE were employed with the Unemployment Insurance Division. 80,093/149 = 1 person filed 536 claims per year or 1 person could file 2.06 claims per day ((536/52)/5 = 2.06). Legislative Fiscal Division Website. *2017 Biennium Budget Report*. Selected General Government. Selected Department of Labor and Industry. Selected Unemployment Insurance Division. Accessed October 2015. http://leg.mt.gov/fbp-2017.asp. Unemployment Insurance Division Website. Selected *Facts and Figures.* Accessed October 2015. http://uid.dli.mt.gov/facts-and-figures
[52] In 2014, the Unemployment Insurance Division spent 7,996,743 on personal services. With 149 Average, the average salary is $53,669 per person. Assuming staff hired to process family and medical claims complete the same number of claims per day experienced as the Unemployment Insurance Division, there would need to be 29 staff members hired to complete 15,580 family and medical claims in 2017. Adjusting 2014 salary of 53,669 to reflect 2017 dollars is $57,796 * 29 = $1.7 million in salaries alone.
[53] Washington State Legislature Website. *House Bill 1457. 2013-2014.* Implementing Family and Medical Leave Insurance. Accessed October 2015. http://apps.leg.wa.gov/billinfo/summary.aspx?year=2013&bill=1457

[54] Office of Financial Management State of Washington Website. *House Bill 1457 Fiscal Note.* Accessed October 2015. https://fortress.wa.gov/ofm/fnspublic/legsearch.aspx?BillNumber=1457&SessionNumber=63

[55] Calculation based on model and on file with author. Start-up estimates in Montana are based items that Washington estimated for its paid family and medical leave program, including IT equipment, consultants, and legal aid etc. Average salaries in Montana were based on Occupational Employment Statistics from the Bureau of Labor Statistics. For the first three years of Montana's program, total administrative costs, including start-up costs an on-going expenditures would account for 6.67% of total program costs. Office of Financial Management State of Washington Website. *House Bill 1457 Fiscal Note*. Accessed October 2015. https://fortress.wa.gov/ofm/fnspublic/legsearch.aspx?BillNumber=1457&SessionNumber=63. The Bureau of Labor Statistics. May 2014 State Occupational Employment and Wages Estimates Montana. Accessed October 2015. http://www.bls.gov/oes/current/oes_mt.htm

[56] Colorado General Assembly Website. *Fiscal Note for SB 14-196 FAMLI Insurance Program*. 2014 Legislative Session. Accessed October 2015. http://www.leg.state.co.us/CLICS/CLICS2014A/csl.nsf/BillFoldersAll?OpenFrameSet. Financial Management State of Washington Website. *House Bill 1457 Fiscal Note*. Accessed October 2015. https://fortress.wa.gov/ofm/fnspublic/legsearch.aspx?BillNumber=1457&SessionNumber=63. The Bureau of Labor Statistics. May 2014 State Occupational Employment and Wages Estimates Montana. Accessed October 2015.

[57] Calculation based on model and on file with author. In 2017, total program cost (administration costs and benefit payouts) would be $76.7 million. With a wage premium set at 0.451 on all employees' wages and a taxable wage base set at $78,000, the Montana Department of Labor and Industry would generate $76.8 million in revenue.